#### **BUDGET REVIEW COMMITTEE**

## **DECEMBER 19, 2005**

A meeting of the Budget Review Committee was held Wednesday, Monday, December 19, 2005, at 7:02 p.m. in the Aldermanic Chamber.

Alderman-at-Large Steven A. Bolton, Chair, presided.

Members of Committee present: Alderman-at-Large David W. Deane, Vice-Chair

Alderman David D. Lozeau Alderman Lori Cardin

Alderman-at-Large Paula I. Johnson

Alderman Rob Shaw

Members not in Attendance: Alderman David MacLaughlin

Also in attendance: Alderman Richard LaRose

Carol Anderson, Chief Financial Officer/Comptroller

COMMUNICATIONS - None

**UNFINISHED BUSINESS - None** 

**NEW BUSINESS – RESOLUTIONS** 

#### R-05-340

Endorser: Alderman Kevin E. Gage Alderman Marc W. Plamondon

ESTABLISHING AN EXPENDABLE TRUST FUND TO ACCEPT GIFTS FOR LAW ENFORCEMENT RELATED PROGRAMS AND ACTIVITIES

# MOTION BY ALDERMAN LOZEAU TO RECOMMEND FINAL PASSAGE MOTION CARRIED

## R-05-346

Endorser: Mayor Bernard A. Streeter

RELATIVE TO THE TRANSFER OF \$7,913 FROM EXPENDABLE TRUST FUND ACCOUNT #996-5330 "CITY RETIREMENTS" INTO ACCOUNT #553-11279 "STREET DEPARTMENT, EQUIPMENT OPERATOR STREET REPAIR – FULL-TIME PAYROLL"

# MOTION BY ALDERMAN DEANE TO RECOMMEND FINAL PASSAGE MOTION CARRIED

**NEW BUSINESS - ORDINANCES** 

#### O-05-125

Endorsers: Mayor Bernard A. Streeter Alderman-at-Large Brian S. McCarthy Alderman-at-Large David Rootovich Alderman-at-Large David W. Deane Alderman David D. Lozeau Alderman David MacLaughlin Alderman-at-Large Steven A. Bolton Alderman Robert Shaw Alderman Marc W. Plamondon Alderman Kathryn D. Vitale

## AMENDING THE UNDESIGNATED GENERAL FUND BALANCE ORDINANCE

## MOTION BY ALDERMAN DEANE TO RECOMMEND FINAL PASSAGE

#### ON THE QUESTION

## Alderman Deane

I would ask that Mrs. Anderson come up and speak on this.

#### Carol Anderson

Thank you for the opportunity. What we're trying to put forward here is something that has been discuss with the Board for quite a few years now – I think easily for three years there have been solid discussion that. That is establishing a minimum amount. The State of New Hampshire, the Revenue Administratio and the financial markets; Moody's, Standard & Poor's, Fitch, and government finance offices establish they believe is a minimum fund balance that should be retained by municipalities. Now they differ slightly the amount. The State indicates that it should be a minimum of 5% up to 10% and the rating agencies at the GFOA are looking for a minimum of 8% and up to 15%. What I noticed this year is when we had the rate set the state is moving towards the GFOA amount too. They have had all four percentages now on tax rate setting papers so you see what number you should be targeting.

What we have right now for undesignated fund balance is 6.8% so I am hoping that the Board would approve, and it needs to be approved by the Board, up to 7% for June 30, 2006 and then in subsequent years target the 7.5%. When we have gone to selling bonds the first thing they will ask us is if the Board Aldermen has adopted a policy of establishing a minimum fund balance. I have told them the last two yethat there have been discussions and that was the move, but we never got it to have it actually adopted the ordinances. They are not looking for administration to set it because you people are the ones that actually set the law and they were looking for that to be within the code.

What this does – when I brought it forward to Legal, Dave Connell and Dorey Clarke reviewed it, and the said well part of what you are looking for already exists – when the Board asks the Mayor by September to submit his numbers for both overlay and for potential surplus – what the estimate in surplus is, half of was already there. What was really missing was what is the minimum amount that you would be willing maintain. That is what they did is Dave Connell recommended that we split that ordinance apart, have overlay stand on its own because it really doesn't have to do with surplus and then have anything to do the surplus on undesignated fund balance stand on its own. That is why the ordinance was split apart.

The only thing that you will see in there now is basically establishing what those minimums would be. O the things that we put in there, of course your vote still stands – if we are going to use that we still need, you had established before, we need the ten votes of the Board of Aldermen in order to be able to use the undesignated anyway. The only thing that has changed is that if you had to go below the 7.5% that you would have some sort of plan to help to re-establish it, to replenish it, and within a three-year period.

That shouldn't frighten you. I don't know if people have concerns about that, but if something were to or and you couldn't do it within the three years – I was thinking back to when we had that deficit situation be in the early '90s – when we went to the rating agencies and told them we can be in the black within I bel it was two years, and here is our plan, and they did not downgrade us. They kept us where we were, but plan was fulfilled.

If for some reason something drastic were to occur and we could not fulfill that within the three year periwe would simply just make them aware of it and what the intent would be of the Board. If you said it was going to take an extra year to get there and we showed them how we were going to get there I know tha would be satisfactory.

The intent of this is that we are going to be selling a bond – I am anticipating it will be about the first of February – we have the riverwalk, we have the senior center, the fire station, the fire land – we have set things that are on out plate right not and then 11 Riverside. When we go out to sell that bond we have to the rating presentations at that point. If it is not the first question it will be the second question do you have this policy in place especially given the fact that we used substantial reserves this past year. I know the going to. When we went to set the tax rate they actually called before David Fredette and myself went u and asked was there some mistake with that amount. When we told them that \$8 million was to re-estal another school capital reserve they were relieved at that, but they had noted that we had used – even ta that out of the equation, we had used significantly more reserves again for the '06. This is something the believe as the CFO is really sounds fiscal policy, and I would really recommend that this be adopted by I Board. Thank you.

## Alderman Johnson

As I reviewed this over the weekend I made a couple of changes already. You said the State would like minimum to be between 5-10% and the rating agencies between 8-15%.

**Carol Anderson** 

Yes.

#### Alderman Johnson

In paragraph B, you have it at 7.5%. I marked it up to 10%. Is there any reason why we couldn't have the minimum of 10% somewhere half way between the state and what the rating agencies want us to be?

#### Carol Anderson

I certainly would love that, but the problem you are going to have is getting there. We are not going to b able to get there that fast. I think we will get to the 7.5%. We can certainly have more than that Alderma Johnson. Nothing stops us from having at the end of 2007 if we have more surplus nothing stops us from having a higher fund balance, but it is just not in here. Then at some point in time when we see where v are going over the next several years, the Board can certainly choose to up that amount.

#### Chairman Bolton

I think the point is though the money doesn't come from the sky. The money is raised in taxes and if you don't use it to lower taxes – it is fiscally prudent to have money in the bank and a rainy day fund, but you can't try and get it all at one time. It will be the further shock if that were attempted.

## Alderman Johnson

I understand that the problem is we spend more sometimes than we should and we probably wouldn't be this situation if mistakes weren't made along the way last year. I also have some concerns when you sa members of the Board of Aldermen. Shouldn't it be ten members of the full Board of Aldermen because we go again is it ten members that will be here or do you want basically the full Board to be able to vote like we just changed in the referendum question? I would like to have it in there that the full Board – you really want almost 15 members to be here – not 13, not 12, not 11 the full Board. My last issue is and yo just touched upon this three-year period – I looked at a two-year period. I see what is going out to bond again. This is my biggest concern. What is the total amount of bonding that we are going to be doing – riverwalk, the senior center, the fire station, 11 Riverside Street, and the fire land.

# Carol Anderson

It is approximately \$10 million, but there are some bond proceeds that may be – I know the school is cor in with other plans that are falling within the school project, but I am not sure if any monies would be reallocated by the Board to some of these projects, but right now I would be looking at about \$10 million

## Alderman Johnson

Two million of the high school bond proceeds went to pay the bond payment last year right?

#### Carol Anderson

Right.

## Alderman Johnson

Which could have gone to the riverwalk or 11 Riverside Street to buy that building. That is \$10 million awhat is \$10 million going to be on the tax rate and what is the payment on an additional \$10 million?

#### Carol Anderson

It ends up being in the early years approximately \$1 million a year and then on the tax rate and \$1 millio equates to .7% on the tax rate.

## Alderman Johnson

Boy I am not going to be happy next year as private citizen Johnson. Thank you very much.

## Alderman Lozeau

Mrs. Anderson you mentioned a series of bonds that you plan to let next year. Some expenditures have already been made towards those projects.

## Carol Anderson

Yes. That is a good point.

## Alderman Lozeau

When we let the bond does that money go back to where it came from that you have already expended the project?

## Carol Anderson

The intent was that we have money – the city has cash so we have fronted it on those particular projects. We have 18 months from the time that we start spending on any one project to be able to recoup that methough the bond. I was told the other day, and I have to get further clarification, that there has to be intereimburse ourselves so I want to make sure that the language is clear on all of these items that that is we will happen. It is not our intent to take it out of cash, and we just loaned ourselves the money that is who did. You are right. That is why that clock is ticking right now because I am looking at around February to out and sell this bond because I know we had some expenditures that have been about 14-15 months, a don't want to let it extend any longer and miss that window.

#### Alderman Lozeau

When you say you want a certain percentage, is that a certain percentage of our debt, our budget that w aside? Where exactly does that come from?

Chairman Bolton

Annual budget.

Carol Anderson

Right.

Alderman Lozeau

... tape inaudible - speaker away from microphone ...

## Carol Anderson

You don't really take it out – the funding that you have, there is no budgeted appropriation line item so it almost like making a loan to the senior center or a loan to the riverwalk that is what we have done. There no appropriation beyond the bond authorization. Once you have a certified bond authorization then you start spending funds and reimburse yourself.

Alderman Lozeau

Thank you.

Alderman Deane

On that \$10 million total, what are the current rates? Do you know offhand?

## Carol Anderson

I believe they are running around 5%. I am expecting, I am hopeful on this one, and I haven't added it u entirely, but if we could have it below the \$10 million we could do a bank qualified sale. If you do a bank qualified, an insured sale basically, If you do an insured one you tend to get better rates although we have good rating – we have the AAII. I would like to compare what that would be. It may be prudent for us to reallocate some unexpended bond proceeds to some of these items and then be able to do a bank quali bond and get a better rate of interest.

#### Alderman Deane

I don't think there is much money left in the high school project.

#### Carol Anderson

I did get a cash flow update from Mark Conrad, but he does indicate that it will take several years to finis spending on that project. They had several items – I don't know if you can shed some light on that Alde Bolton. Last I saw was that by the time the project would be done there would be about \$350,000 remai but they have furniture and fixtures – was there something to do with the bridge that they were going to

## Chairman Bolton

Maybe. There are still decisions being made. It is not clear when and how much will be left when it is fit done. Obviously some of the things that are on the wish list of administration are not always going to happen. Until there is a vote of the committee they don't know how much will be left and how much will spent.

## Carol Anderson

When would you expect that they could take a vote because I am thinking I don't like to sell any bond if I don't need to if we could reallocate some.

## **Chairman Bolton**

Let me go over it with Mr. Conrad and we may be able to get some update on some of that.

## Carol Anderson

Thank you.

## Chairman Bolton

There are some things hanging out there the bridge being the single biggest one.

# Alderman Deane

I attended the last high school committee meeting and they spent about \$350,000 and there were a coulitems that they had asked for that didn't get approved one was the LCD/TD monitors and the bridge was talked about in depth and that was a cost between \$1 million and \$3 million, which I think by the time the done with the conversation the plans to do that – they didn't have the funds left to do that. They did end purchasing some furniture and fixtures and things of that nature. I think the total balance they have left is somewhere around \$900,000. I think that is it.

## Carol Anderson

If they spend on those other items.

#### Alderman Deane

They had about \$1.3 million or \$1.1 million – they spent about \$350,000.

#### Carol Anderson

Mine is a little different.

#### Chairman Bolton

That level of expenditure has to be approved by the full Joint Special, which hasn't happened yet. That recommendation of the sub-committee.

#### Alderman Deane

Thank you.

#### Carol Anderson

Could I just add one other point of clarification because there were some questions asked of me why this was being pushed through now. I didn't want people to think that I was pushing it through. It is the timir The bond was coming that is going to be sold and to me it was critical that we had this in place. It was unfortunate that there is a change in the Board between when this is being passed. To wait for the new Board in my opinion it didn't matter who was sitting on the Board of Aldermen or even with the recall had gone through or anything because this is just strong fiscal policy and I wanted it in place before I went or and sold that bond – have it adopted and in place not just say it is in committee or something. I wanted people to know I wasn't trying to push it through, but quite honestly I did want it to get adopted as soon a possible. The timing of the bond was really the impetus for us submitting this.

#### Alderman Lozeau

I heard you say that just because we pass the legislation doesn't mean we have to allocate the money to aside correct?

## Carol Anderson

Right now our undesignated is at 6.8%. We need about several hundred thousand dollars this year to g to the 7% so that is definitely doable. If something happens and we cannot get to the 7.5% in the subsequent years then we need to address that and come up with some sort of plan – the Board and I w work with you need to come up with some sort of plan to get there.

#### Alderman Lozeau

The fact that we have already lent ourselves money on potential bonds wouldn't that get us there when paid ourselves back?

#### Carol Anderson

No because that was strictly a loan. It has nothing to do with this. We have our portfolio. You know you those bumper stickers about having cash in my checking account therefore... what is it I have checks let therefore I have cash. Well we have cash and we have checks and we are just going to pay ourselves to but there is no appropriation and this really has no impact.

The only way it has an impact is if you have fund balance like this it indicates that you have cash. It is a combination of cash, assets – it is everything, it is the net amount.

## Alderman Deane

I wanted to comment on the remarks that were made pertaining to the premise behind which this legislar was filed. I look at it this way if we decided to sit on our hands and do nothing the same individual would have criticized us. We stay proactive and continue to carry out our elected duties and we are criticized f doing that as well. As you had stated Mrs. Anderson this is long overdue. I support doing this. This sho have been done a while ago. There are no political means behind any of this. This is putting a policy in that should have been done, I hope will be supported by the full Board and be done regardless whether us or the next Board it needed to be dealt with. It is pretty easy and simple to understand why we are do this. I think rest at ease that there is no political motivation as far as I am concerned on your behalf to triam this through at the end of the session because that is not the case.

## Alderman Shaw

I just think this is very prudent legislation and very prudent policy. I think we are fortunate that we have essentially meeting the intent of this in the past, but I think it is important that we state that this is the pol and this is what we will strive for. I understand the intent of some of Alderman Johnson's points about I there would be real benefit if it could be even further strengthened. I don't think now is the time that we going to be able to get there with all of the other challenges that are going to be in the next few budget y cycles. This I definitely think does the right thing and provides the assurance as you already stated Mrs Anderson to the banking community that issue the ratings and the bonds that we are going to be fiscally sound and able to support the kind of I guess status with our finances that we need to. I think it is definithe right thing to do and agree that it probably was long overdue. It is almost a matter of housekeeping finally kind of catch up and get it done. As you point out there is critical timing it appears as well. I think very prudent that we act on this.

## Chairman Bolton

Is there any further discussion? The motion is to recommend final passage of O-05-125. **MOTION CARRIED** 

\_

#### HELD IN COMMITTEE

## Resolutions

#### R-05-228

Endorser: Alderman-at-Large Steven A. Bolton

APPROVING AN ADJUSTMENT TO THE UPPER ENDS OF SALARY RANGES FOR NON-AFFILIATED PERSONNEL OF THE NASHUA SCHOOL DISTRICT

## R-05-304

Endorser: Alderman-at-Large Paula I. Johnson

RELATIVE TO THE APPROPRIATION OF \$100,000 FROM ACCOUNT #412-180 "AUTO PERMITS" INTO ACCOUNT #505-81035 "CABLE PUBLIC ACCESS"

## **Ordinances**

# O-04-45

Endorser: Alderman Marc W. Plamondon

REQUIRING THE PARKS AND RECREATION DEPARTMENT TO CHARGE A FEE TO NON-RESIDENTS FOR RESERVATION OF CITY-OWNED PARKS AND SPORT FIELDS

# **DISCUSSION**

Alderman Johnson brought to the committee's attention an article in the newspaper concerning reductions in the budget. It is her opinion that projects need to be reviewed as well as the number of personnel. She stated that health care is an issue that has to be reviewed.

#### **ADJOURNMENT**

# MOTION BY ALDERMAN CARDIN TO ADJOURN MOTION CARRIED

The meeting was declared closed at 7:21 p.m.

Alderman David D. Lozeau Committee Clerk, Pro Tem